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UNCLAS KUWAIT 005465

SIPDIS

STATE FOR INL AND NEA/ARP  
JUSTICE FOR OIA, AFMLS AND NDDS  
TREASURY FOR FINCEN

E.O. 12958: N/A

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SUBJECT: KUWAIT: 2002-03 INCSR REPORT (FINANCIAL CRIMES AND MONEY LAUNDERING)

REF: STATE 240035

1.(U) Following is Embassy Kuwait's submission for the 2002-2003 INCSR report. Text is keyed not to specific questions but to subject headings in reftel.

12. (U) General Questions: Despite its relative wealth, Kuwait is not considered a major financial center nor a 'hot spot' for money laundering. Nevertheless, as a matter of policy and practice, and as a member in the Financial Action Task Force (through the Gulf Cooperation Council) the State of Kuwait is taking active measures to combat money laundering and terrorist finance.

13. (U) Laws and Regulations to Prevent Money Laundering: Money Laundering related to any criminal activity was specifically criminalized in February 2002. Even before the passage of the law, bank regulators had strengthened 'know-your-customer' requirements and other rules designed to prevent and detect money laundering, such as mandatory suspicious transaction reporting, mandatory training for bank officers, and so forth. Such rules apply to all financial institutions as defined by the Minister of Finance, to include insurance firms and money exchangers. The new law imposes reporting requirements for cross-border currency movements, but the implementing regulations for this are still being finalized. The new law also envisions the creation of an interagency Financial Intelligence Unit. To our knowledge, there have been no arrests or prosecutions specifically on money laundering or terrorist finance charges in 2002. However, two terrorist suspects were charged in late 2002 with "gathering funds for, and financing the establishment of, military training camps abroad."

14. (U) Terrorist Finance Section: The money laundering law of 2002 does not specifically cite terrorist financing as a crime; however, the definition of criminal activity is sufficiently broad so as to allow such interpretation. Kuwaiti authorities have complied with their obligations under UN resolutions to search for and seize terrorist assets (although none have yet been identified in Kuwait). As regards the possible misuse of charity funds, the Kuwaiti government did order the freeze of assets of two overseas branches of a Kuwaiti charity in January 2002, and is developing new regulatory and oversight mechanisms to ensure the transparency and accountability of charity operations. This includes the creation of a new charity oversight department in the Ministry of Social Affairs and Labor. Kuwait is not a party to the 1999 International Convention for the Suppression of the Financing of Terrorism.

15. (U) Offshore Financial Centers: Kuwait is not considered an offshore financial center, nor are offshore banks or financial institutions permitted.

16. (U) International Cooperation: There is no formal bilateral agreement on record exchanges with U.S. authorities, although Kuwaiti law permits such cooperation in response to specific requests on the basis of reciprocity.

17. (U) Asset Forfeiture and Seizure Legislation: The 2002 Money Laundering Law allows the broad seizure of assets ("funds, properties, proceeds and means") as a penalty for money laundering crimes. The law does not stipulate how seized assets are to be disposed of.

18. (U) Asset Seizure Enforcement: As the implementing regulations for the 2002 Money Laundering Law remain unfinished, there have been no asset seizures under it. However, the Kuwaiti government is working to develop effective procedures for tracing and seizing assets within the banking sector and beyond.

JONES